



Agenda Report

File #: 19-0567

AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 6/19/2019

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

SUBJECT:

City Council consideration of Resolution No. 2019-044, approving the City of Corona's Investment Policy.

RECOMMENDED ACTION:

That the City Council adopt Resolution No. 2019-044 approving the City of Corona's Investment Policy.

ANALYSIS:

The City of Corona, as with all local governments in California, maintains an investment portfolio to hold its inactive cash. The City's investments allow funds to earn a return while they are in the queue to be expended on City projects and services, pursuant to the City's adopted budget. The current balance of the City's investment portfolio is approximately \$315.5 million. Through the City's contracted investment advisor, Chandler Asset Management, the City invests in a variety of instruments that provide a reliable yield over a duration of maturity between 3 months to 5 years to ensure that cash is available to meet the City's needs. Chandler Asset Management makes these investments according to the City's Investment Policy, with the oversight of the Treasury Committee, which is comprised of the City Manager, City Treasurer, and the Assistant City Manager/Administrative Services Director. The Investment Policy is a formal statement of objectives and constraints for the City's investment approach.

The City of Corona's Investment Policy is reviewed annually by the City Treasurer, Administrative Services Department, and Chandler Asset Management, and adopted by the City Council pursuant to State law. Chandler Asset Management suggested minor rewording changes in the Policy's Attachment A- Allowable Investments. The revisions incorporated were simply refining phrases to be more clearly defined. The Policy's framework and provisions have not been changed. The Treasury Committee recommends no additional modifications to the City's Investment Policy for this year's annual review.

California Government Code 53600 et. seq. sets legal parameters around the degree of risk any municipal treasury can take in its investments. These parameters ensure that public investments are sufficiently diversified, of high credit quality, and have terms of length that enable the treasury to maintain liquidity and protect against longer-term shifts in the market. Historically, the City of Corona's Investment Policy has been more conservative than the California Government Code in terms of requirement of credit rating and limiting the percentage of funds that are invested into variable-rate assets. This approach has yielded returns that are higher than the industry benchmark yet still remain safe and liquid enough to meet the City's financial needs. Investment strategies are utilized to adjust the balance between cash and investments on a continuous basis to improve the overall return on investment.

As of March 31, 2019, the average market yield of City's portfolio was 2.47%, which was 0.18% above the benchmark Bank of America Merrill Lynch 1-5 year US Treasury/Agency Index. The Treasury Committee believes that the current Investment Policy is prudent and will continue to meet or exceed this benchmark, thereby ensuring that funds remain available to support the City's cash flow needs to deliver City services expected by the public.

Monthly investment reports are filed with the City Council and posted on the City's official website for the public to provide a clear picture of the status and performance of the current investment.

All City administrative policies were assigned numbers in January 2017, as part of a comprehensive collection, organization, and digitization project completed by the Legal and Risk Management Department. The City's Investment Policy was administratively assigned the City's Administrative Policy No. 01200-602.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions. The recommended action will help achieve these goals by providing policy and standards for the management and investment of the City's public funds.

FISCAL IMPACT:

The Investment Policy is presented for review and approval. There is no fiscal impact.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the action is not subject to CEQA. This action merely adopts the resolution and approves the City's Investment Policy for Fiscal Year 2019-20, and there is no possibility that adopting the resolution and approving the Policy will have a significant effect on the environment.

PREPARED BY: JENNIFER SCHAEFER, FINANCE MANAGER III

REVIEWED BY: KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES
DIRECTOR

REVIEWED BY: MICHELE NISSEN, ASSISTANT CITY MANAGER

SUBMITTED BY: MITCHELL LANSDELL, ACTING CITY MANAGER

Attachments:

1. Resolution No. 2019-044
2. Administrative Policy 01200.602- Investment Policy
3. Redline of Proposed Changes to Investment Policy